

## Discretionary Revenues

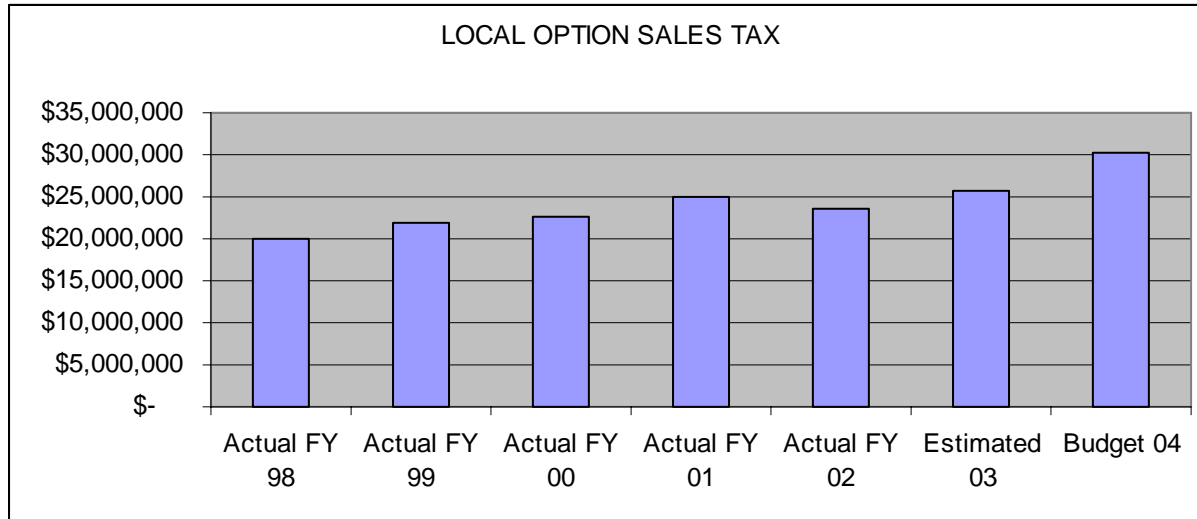
	Actual FY 2001-02	Adopted FY 2002-03	Estimated FY 2002-03	Adopted FY 2003-04
<b>General Property Taxes</b>				
Current Levy	\$71,055,583	\$78,106,701	\$74,891,398	\$76,582,810
Prior Years Levy	2,038,946	1,900,000	1,900,578	2,134,945
Interest & Penalties	497,503	350,000	363,000	415,000
<b>Subtotal</b>	<b>\$73,592,032</b>	<b>\$80,356,701</b>	<b>\$77,154,976</b>	<b>\$79,132,755</b>
<b>Other Local Taxes</b>				
Local Option Sales Tax	\$23,673,237	\$25,105,779	\$25,620,000	\$30,180,113
Hotel/Motel Occupancy Tax	1,365,061	1,400,000	1,400,000	1,400,000
<b>Subtotal</b>	<b>\$25,038,298</b>	<b>\$26,505,779</b>	<b>\$27,020,000</b>	<b>\$31,580,113</b>
<b>Licenses and Permits</b>				
Cable T V Franchise Fee	\$1,544,792	\$1,483,223	\$1,549,920	\$1,629,724
Business & Professional Licenses	1,713,351	1,957,018	1,960,000	2,147,953
<b>Subtotal</b>	<b>\$3,258,143</b>	<b>\$3,440,241</b>	<b>\$3,509,920</b>	<b>\$3,777,677</b>
<b>Intergovernmental Revenues</b>				
Intangibles Tax Reimbursement	\$1,574,734	\$0	\$0	\$0
Utility Franchise Tax	4,069,706	7,847,173	7,847,173	8,004,116
Gasoline Tax (Powell Bill)	5,773,248	5,448,050	5,576,978	5,145,619
Beer & Wine Tax	-	762,289	762,289	781,346
Alcoholic Beverage Control	49,841	45,000	31,670	45,000
Inventory Tax Credit	1,046,229	-	-	-
Payments In Lieu Of Taxes	238,882	113,400	80,000	80,000
<b>Subtotal</b>	<b>\$12,752,640</b>	<b>\$14,215,912</b>	<b>\$14,298,110</b>	<b>\$14,056,081</b>
<b>Investment and Rental Income</b>				
Investment Income	\$1,693,076	\$1,061,773	\$774,100	\$824,244
Interest On Assessments	32,707	40,000	-	-
R-O-W Surcharge	-	200,000	-	-
Municipal Buildings	412,561	470,000	470,000	453,400
<b>Subtotal</b>	<b>\$2,138,344</b>	<b>\$1,771,773</b>	<b>\$1,244,100</b>	<b>\$1,277,644</b>
<b>Other Revenue</b>				
Sale Of Land	\$88,415	\$625,000	\$0	\$930,000
Sale Of Surplus Equipment	285,522	230,000	159,670	200,000
Credit Union Overhead	-	7,600	-	-
Street Assessments	339,928	75,000	24,979	75,000
Sidewalk Assessments	23,497	15,000	2,500	15,000
<b>Subtotal</b>	<b>\$737,362</b>	<b>\$952,600</b>	<b>\$187,149</b>	<b>\$1,220,000</b>
<b>Appropriations From Fund Balance</b>	<b>\$0</b>	<b>\$715,000</b>	<b>\$1,538,781</b>	<b>\$0</b>
<b>Total Revenues</b>	<b>\$116,779,457</b>	<b>\$127,005,406</b>	<b>\$124,765,887</b>	<b>\$129,824,270</b>

## General Fund – Discretionary Revenues

### GENERAL PROPERTY TAXES

The recommended FY 2003-04 Budget for the General Fund is balanced with a tax rate of 53.65 cents per \$100 of assessed valuation, which is the same level as in the approved FY 2002-03 Budget. The property tax rate is established annually during the City budget process. The City's property tax is levied based on 100% of the assessed value of property from the previous January 1 as determined by the Durham County Tax Administrator, whose office both bills and collects property tax. Please refer to Section IV - Budget Summaries for tax base information.

### OTHER LOCAL TAXES



Sales Tax - The sales tax is levied on the sale, lease, or rental of all taxable goods and services within Durham County. Purchasers of these goods and services pay the tax. Sales tax is collected by businesses at the time of the sale and then paid periodically to the North Carolina Department of Revenue, Sales and Use Tax Division. The Department of Revenue then remits that portion due to the County and all municipalities in the County based on a per capita formula.

The State levies a 6.5¢ per dollar retail sales tax on all retail sales except for food purchases to be consumed at home, which is taxed at 2¢ per dollar. Most services and prescription drugs are exempt from sales taxes. The State retains 4¢ for retail (0¢ in the case of food sales) and returns 2.5¢ to local governments. The sales tax is an important revenue source for the City, representing 20% of General fund revenue for FY 2003-04.

The State authorized counties to increase the sales tax by 0.5¢ effective December 2002. The estimated FY 2002-03 includes four months of this increase. (Through FY 2002-03, the City of Durham counted sales tax revenue actually received in the fiscal year, thus not counting one quarter of sales tax receipts earned in a year. Beginning in FY 2003-04, the City of Durham will accrue sales tax revenue earned during the fiscal year.) The FY 2003-04 budget includes a full year of the new ½ cent sales tax.

The FY 2003-04 estimate is calculated on two assumptions: 1) The North Carolina League of Municipalities recommends a growth factor of 2.5% to 3% from FY 2002-03 receipts. This budget projection assumes a 3% increase. 2) The City and the County of Durham have entered into an interlocal agreement to share the net growth of the new ½ cent sales tax. This budget assumes the interlocal agreement is in effect.

Hotel/Motel Tax - A tax of 6% is levied on hotel/motel rentals in Durham County as authorized by the General Assembly in the 2001 session. Of the first 5%, the City receives 25.5%, Durham County receives

## **General Fund – Discretionary Revenues**

34.5%, and the Durham Convention and Visitors Bureau receives 40%. The last 1% is held by Durham County to pay for arts and cultural projects. Funding is set aside in the last 1% for the City to develop a Performing Arts Center. The hotel industry has not fully recovered from the reduced travel after the September 11, 2001 terrorist attacks. The FY 2003-04 budget is based on estimates and discussions with the Durham Convention and Visitors Bureau, representing a 1% increase over the FY 2002-03 revised estimate.

### **LICENSES AND PERMITS**

Cable Television Franchise - This revenue is received by the City for administration and coordination of the City's franchise agreement with Time Warner Cable. A 5% surcharge is included on all cable bills issued to customers. Effective FY 2002-03, Time Warner did not include the cost of Internet services in the calculation of the surcharge paid by customers. The FY 2003-04 revenue projection assumes an increase of 5% over FY 2002-03 revised estimates.

Business Licenses - Businesses are assessed a fee for the privilege of doing business in the City. The FY 2003-04 budget assumes a 10% increase over the FY 2002-03 revised estimate.

Miscellaneous Licenses and Permits - Minor permits are combined into this miscellaneous category. The budget estimate for FY 2003-04 is consistent with growth seen in the FY 2002-03 revised estimates.

**INTERGOVERNMENTAL REVENUE** - Intergovernmental revenue consists of revenue received by the City from federal, state, and county government in the form of grants, shared revenues, or reimbursements. Charges to other governments for services rendered, such as for interlocal agreements, are not included in this category.

### **State Shared Revenues**

- ❖ **Utility Franchise Tax** - The State levies separate taxes on gross receipts of electric, natural gas, and telephone (including cellular) utilities and distributes revenues quarterly. The FY 2003-04 budget assumes this revenue will grow at 2% over FY 2002-03 levels.
- ❖ **Gasoline Tax (Powell Bill)** - The revenue generated from Powell Bill collections is used to support the maintenance of non-State system streets. The City's share is based on population (75%) and local street mileage (25%) relative to those of other municipalities. For FY 2003-04, the City projects a 7.7% reduction. This decrease is attributable to two factors: the general economic slowdown and the decision by Governor Easley to transfer funds from the State's Highway Trust Fund to the State's General Fund. The State Highway Trust Fund is used to supplement the State Highway Fund in the funding of the Powell Bill distribution. This projection assumes that the proportion of City street miles and population before annexation to street miles and populations of other municipalities remains constant.
- ❖ **Beer and Wine Tax** - The tax on malt beverages and unfortified wines is paid by the final purchaser and is administered by the State. Taxes are distributed to entitled municipalities according to population. The FY 2003-04 budget assumes this revenue will increase 2.5% i over what the City received in FY 2002-03.
- ❖ **Alcoholic Beverage Control Tax** - The City receives 10 percent of the profit from ABC operations in the County. There is no growth anticipated in this revenue.
- ❖ **State Reimbursements** – Effective July 1, 2002, the State repealed several reimbursements to local governments, including the Inventory Tax Credit, the Homestead Tax Exemption, the Intangibles Tax and the Food Stamp Sales Tax Reimbursement. Together, these reimbursements represent a loss of \$3,826,248 to the City of Durham.

## **General Fund – Discretionary Revenues**

### Other Agencies

- ❖ **Payments in Lieu of Taxes** - Payments are made by the Durham Housing Authority under a contract with the City based on a percentage of rents less utility costs.

## **INVESTMENT AND RENTAL INCOME**

Investment Income - Revenues into the General Fund do not occur evenly over the fiscal year. Most property tax, for example, is collected during December and January of each year. The Finance Director is authorized to invest these funds in short-term investments. The resulting interest accrued on the invested funds is considered interest revenue for the City.

By resolution of the City Council, all investment income derived from the General Fund is transferred to the Capital Projects Fund, less amounts allocated to the Budget and Management Services and Finance Departments representing activities in these departments associated with capital project and investment income activities. Due to the Governor's actions on state-shared revenues for FY 2001-02 and FY 2002-03 and the continued downturn in the economy, investment income will remain in the General Fund for FY 2003-04.

Interest on Assessments - This item consists of interest charged on street assessments. The FY 2003-04 budget anticipates that interest earned on street assessments will remain comparable to the FY 2002-03 revised estimate.

Rental Income. Fees included here are realized from the rental of caretaker houses and apartments at City parks and community buildings, temporary rental of houses and property acquired for other purposes, and miscellaneous rentals.

Right-of-way Charges. This represents a charge to the Water and Sewer Fund for the use of the City's rights-of-way.

**OTHER REVENUE** - This category is used to record those revenues that are miscellaneous in nature.

Sale of Surplus Land – Periodically the City sells surplus land. The FY 2003-04 budget currently does not assume the sale of any surplus land.

Sale of Surplus Equipment - Periodically the City auctions equipment. The FY 2003-04 budget assumes the same amount of sales volume as was budgeted in FY 2002-03.

Credit Union Overhead – This revenue represents a General Fund administrative charge to the Credit Union.

Street Assessments - The City assesses properties based upon front footage for streets and sidewalks construction projects.

Certificates of Participation. – This represents the proceeds from the issuance of Installment Sales debt (COPS) for purchases of equipment in the General Fund during FY 2003-04. This revenue offsets the capital appropriation for these purchases.

Miscellaneous - Revenues received from various sources unrelated to specific departmental activities are recorded here. Examples of such revenue are administrative fees related to garnishments for child support, charges for City documents, travel advances returned to the City, and payments for damaged City vehicles.

Transfer from Reserves - Reserved fund balance for carryovers and carryforwards from the previous fiscal year are recorded here.

## **General Fund – Discretionary Revenues**

### **TRANSFER FROM OTHER FUNDS**

The General Fund receives transfers from other funds for indirect costs or for the cost of activities performed in the General Fund. All enterprise and special revenue funds are subject to incur indirect costs. The indirect costs are calculated from the FY 2003 Indirect Cost Plan issued by the Finance Department in 2003.

### **APPROPRIATION FROM FUND BALANCE**

Revenues from prior years are often necessary to balance the budget. To the extent the FY 2002-03 budget ends the year with revenues exceeding expenditures, funds will be returned to Fund Balance. The final year-end figure will depend on actual revenues and expenditures as determined through the City's FY 2002-03 financial audit. For the proposed FY 2003-04 budget, no funds are appropriated from fund balance to balance the budget. If funds from FY 2002-03 are returned to Fund Balance, they will be used to increase our General Fund Balance from 10% to our desired level of 12%. The City's Fund Balance Policy limits the amount to be appropriated from fund balance to the equivalent of four cents on the tax rate over a two-year budget cycle.